MISC (MISC MK)

Building Resilience; More Disposals Of Idle LNGCs Are A Positive

Highlights

- **Positive takeaways from MISC's inaugural investor engagement series** by business divisions. A detailed snapshot into the petroleum division shows subsidiary AET remains on track and focused on building up resilience via term charter mix, while accelerating decarbonisation and profitable new energy businesses. Although there is a risk of not meeting the new energy target given the timeline, note that it has achieved half of the EBITDA growth target stipulated in the MISC2030 mission.
- **Continued disposals of idle LNGCs are a positive.** While the Straits of Hormuz reopening will remain tardy, we see sentiment remains positive for MISC. Firstly, the US-Iran interim agreement should address risks of impairment/deferral on Qatari LNGC exposure. A surprise sale (instead of scrapping) for LNGC Seri Balhaf and Seri Balqis further caps earnings downside risk from LNGC as idled fleet will be reduced further to three. Maintain BUY; target price: RM9.50.

Analysis

- **AET: Building resilience while capturing upside exposure.** Via its fleet of 66 vessels, AET has maintained a secured/spot EBITDA mix of 65%/35% in 2025 (2024: 67%/33%). Geopolitical factors propelled VLCC to return to the top of the earnings table since 2020, but the MST's market leadership in lightering helped secured the long-term mix. This is despite lower EBITDA from DPST as more vessels underwent drydocking. Excluding drydocking, the DPST fleet performance improved on lower off-hire days and annual charter adjustments. With 10 new vessels (including two in-charter) under construction, term charter mix (over vessel operating days) will improve to 70%, of which about 25% have minimum floor rates but opportunity to gain during favourable market situations.
- **Accelerating new energy portfolio to become profitable.** AET shares the same 2030 targets as parent company MISC, ie 50% operating cash flow growth from 2022 baseline, with half of the increase from new energy. We note that 2025 EBITDA had already achieved 25% growth vs 2022. It is actively exploring the viability of renewables (including offshore wind), waste-to-value solutions and future fuels for new energy. For example, AET has contracted its first hybrid-electric dual-fuel ethanol-ready DPST. In partnership with Fleetzero, AET retrofitted a battery-hybrid Lightering Support Vessel (LSV) in 2025. We acknowledge the risks of not meeting this target given the tight timeline.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,237	11,146	12,889	13,613	13,727
EBITDA	4,223	4,780	4,692	5,285	5,199
Operating profit	1,284	2,226	2,987	3,432	3,181
Net profit (rep./act.)	1,194	1,700	2,676	3,109	2,865
Net profit (adj.)	2,340	2,368	2,676	3,109	2,865
EPS	52.4	53.1	60.0	69.6	64.2
PE (x)	15.7	15.6	13.8	11.8	12.9
P/B (x)	1.0	1.1	1.0	1.0	1.0
EV/EBITDA (x)	10.0	10.0	8.9	8.2	7.5
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Net margin (%)	14.9	9.0	18.5	20.8	22.8
Net debt/(cash) to equity(%)	23.4	19.9	23.0	23.4	24.0
Interest cover (x)	5.9	8.2	8.4	9.1	8.8
ROE (%)	3.2	5.7	7.3	8.3	7.5
Consensus net profit			2,601	2,726	2,998
UOBKH/Consensus (x)			1.03	1.14	0.96

Source: MISC, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM7.89
Target Price	RM9.50
Upside	+20.4%

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.8
Market cap (RMm)	35,219.0
Market cap (US$m)	8,804.8
3-mth avg daily t'over (US$m)	3.5

Price Performance (%)

52-week high/low				RM9.04/RM7.12
1mth	3mth	6mth	1yr	YTD
(2.5)	(2.5)	1.7	3.5	1.2

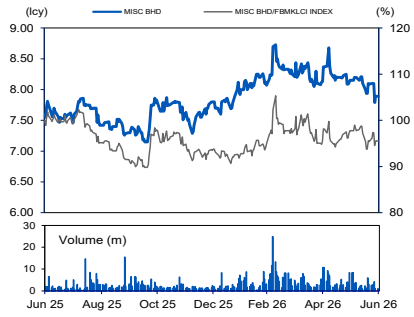
Major Shareholders %

Petroliam Nasional Bhd	51.1
Employees Provident Fund	15.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	8.65
FY26 Net Debt/Share (RM)	2.74

Price Chart



Source: Bloomberg

Company Description

Shipping company. It employs finance lease (FL) accounting for assets in which it has long-term charter contracts, especially liquefied natural gas carriers (LNGC) in its gas segment. Its petroleum segment, under subsidiary American Eagle Tankers (AET), operates very large crude carriers (VLCC), mid-sized tanker (MST), and dynamic positioning shuttle tankers (DPST).

AET EBITDA Mix (%)

Percentage, %	2022	2023	2024	2025
VLCC	12	16	19	20
DPST	33	34	33	28
MST	49*	44	43	44
Others	6	6	5	8

Note: Aframax (41%), Suezmax (8%)
Source: AET Annual Reviews

- **Straits of Hormuz traffic: Long way to go to achieve normalisation.** The 14-point Memorandum of Understanding signed by President Trump and President Pezeshkiam led to renewed flows of vessels from crisis lows. However, this is crucially an interim framework (as a direct consequence of diplomacy), rather than a final settlement (which would imply a durable peace necessary to restore confidence). At roughly 117 total transits in the latest week, this merely represented 13% of pre-conflict throughput (125 transits per day). War-risk premiums remaining elevated and data showing uneven nature of reopening across commodity types all point to gradual normalisation through 2H26.
- **Hence, petroleum investments will continue.** In Apr 26, Tradewinds reported a potential US$480m dual-fuel VLCC order that AET placed with Hengli Heavy, in a combination of firm and options for repeats. Assuming four VLCCs (implying US$120m per ship), this marks AET's return to the VLCC newbuilding market in five years. Although the company did not confirm this, we noted its latest schedule has two additional VLCCs for 2029 delivery, vs the delivery schedule as per its 1Q26 presentation. This is on top of over US$1.5b in investments in dual-fuel assets since 2017, with 14 dual-fuel vessels out of its 66-vessel fleet. Dual-fuel vessels comprised 17% of its 2025 revenue (2024: 12%). By 2030, its vessel backlog is projected to see dual-fuel mix rising to 40%.
- **Gas/LNG: All affected LNGCs have transited...** According to Bloomberg, Mihzem, one of the Qatari LNGCs that was affected by the Straits of Hormuz blockage since end-Feb 26 had successfully transited. While the LNGC volumes will also experience a gradual recovery, we believe the current events have at least eliminated the risks of termination or deferrals due to force majeure events.
- **…and more disposals of idle LNGCs is a positive.** Tradewinds reported in late-May 26 that two laid-up LNGCs had been sold rather than scrapped. Seri Balhaf and Seri Balqis were believed to have been purchased by Indonesian owners at a favourable price tag of US$60m-70m per vessel. The vessels were listed by Kpler as laid-up and the last cargo discharges were in Mar/Apr 25 respectively, even though MISC had listed them as available for spot charters since mid-25. Our channel checks find the Tradewinds article to be valid, as Seri Balhaf had been renamed to Golden Queena, while Seri Balqis had been renamed to SC Prestige. We are positively surprised by this development, which should lower the idled LNGC fleet further from five to three.

Valuation/Recommendation

- **Maintain BUY, with an SOTP-based target price of RM9.50** implying 16x 2026F PE. We retain our 25% LNG discount in our SOTP to assume impairment risks for upcoming expiries of 7-8 LNGCs from the 2027 horizon. However, recent developments may also suggest writebacks. We retain the high 1.4x P/B valuation for petroleum to factor in positive trading sentiment even though spot rates have reverted to pre-war levels. For the long term, we see increasing capex commitments and vessel deliveries in 2028, which we believe is inevitable for MISC to meet its MISC2030 cash flow growth targets (50% operating cash flow growth by 2030, from 2022), and its dividend paying ability.

Earnings Revision/ Risk

- **We retain our earnings forecasts.**

AET, Revenue And PATAMI Profile

US$m	2022	2023	2024	2025
Revenue	1,053	1,095	1,097	1,206
LNG dual fuel	-	143	137	201
EBITDA	497	567	590	621
PATAMI (US$m)	190	236	288	293

Note: Aframax (41%), Suezmax (8%)
Source: AET Annual Reviews

Time Charter Equivalent (TCE) Rates

TCE rates, US$'000	Start of 2026	Jan-Feb 2026, peak	YTD 2026, peak	19 June week
VLCC, spot	39.5	177.0	318.7	270.3
Suezmax, spot	75.6	128.5	269.7	106.5
Aframax, spot	49.5	78.2	216.9	44.3
VLCC, >1-yr	59.0	78.3	130.0	121.3
Suezmax, >1-yr	47.0	52.3	85.0	73.0
Aframax, >1-yr	39.0	45.8	66.3	52.5

Source: Alllied Shipping Weekly

Weekly Transits, Last 12 Weeks

Direction	Pre-conflict	Trough	Latest week	% of pre
Eastbound	~436	22	55	13%
Westbound	~442	11	62	14%
Total	~878	-	117	13%

Source: Alllied Shipping Weekly

Factors Driving Straits Transit Recovery

- The US-Iran interim agreement commits Iran to use its "best efforts" to ensure safe passage of commercial vessels, free of charge for an initial 60-day period. There are no talks on the future of the Strait administration.
- Insurance premiums will remain elevated, and seven-day cancellation clauses enabled insurers to reassess and reprice risk as conditions evolve. A ceasefire does not automatically translate into a return to pre-conflict conditions
- Currently, wartime premiums had peaked at 3-8% of hull value, ie ~30x above pre-conflict levels of 0.25%. For a single tanker, this is additional US$8m cost per transit.
- Large scale alternative crude capacity will remain important for Saudi Arabia and UAE. The Saudi Arabia East-West Petroline (5m bpd capacity) boosted Yanbu seaborne crude exports to 3.8m-4.5m bpd in May-Jun 26 (2025 average: 1.6m bpd). However, the combined alternative capacity of 3.5-5.5m bpd cannot replace 20m bpd of crude transit through Hormuz.
- Weekly transit recovery led by dry bulk. Relative to pre-conflict levels so far, dry bulk carriers recovered by 15%, followed by crude/ product/LNG tankers at 9-11% each, and containerships at 6%. Bulk commodities typically have lower cargo values and less geopolitical sensitivities.

Source: Allied Shipping Weekly

Environmental, Social, Governance Updates

Environmental
• Carbon (CO2) reduction. Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050)
• Promoting circular economy via green ship recycling. Aims to avoid wastage while disposing of aged vessels that do not meet the carbon reduction criteria.
• Safety (HSE). Lost Time Injury Frequency (LTIF) improved to 0.18 (AET: 0.07).
Social
• Diversity. >20 nationalities, >40% female proportion among onshore staff.
• Digitalisation/ R&D. Invested RM202m in 2020 to improve employee safety, productivity, maritime supply chain and compliance
Governance
• Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	11,146	12,889	13,613	13,727
EBITDA	4,780	4,692	5,285	5,199
Deprec. & amort.	18,865	18,159	17,704	17,602
5,799	5,859	6,188	6,239	3,181
Associate contributions	29	312	330	312
10,959	11,519	12,079	12,639	(589)
Pre-tax profit	2,226	2,987	3,432	3,181
Tax	(124)	(63)	(72)	(71)
Minorities	(38)	(249)	(251)	(245)
Net profit	1,700	2,676	3,109	2,865
Net profit (adj.)	2,368	2,676	3,109	2,865

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	20,863	22,963	25,063	27,163
Other LT assets				
Cash/ST investment	6,096	6,252	6,320	6,320
Other current assets				
Total assets	53,014	55,228	57,607	59,979
ST debt	1,921	2,800	2,800	2,800
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	11,747	12,307	12,867	13,427
Other LT liabilities	885	885	885	885
53,014	55,228	57,607	59,979	38,045
Minority interest	697	946	1,197	1,443
Total liabilities & equity	53,014	55,228	57,607	59,979

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	4,277	4,753	5,296	5,904
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	(1,192)	(2,627)	(3,827)	(3,827)
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	(4,166)	(2,011)	(2,011)	(2,011)
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	(1,080)	115	(542)	67
Beginning cash & cash equivalent	7,732	6,677	6,793	6,252
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	6,677	6,793	6,252	6,320

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover		69.2	42.4	56.8
EBITDA	3 w-8 0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2

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